

PROPOSED RESOLUTION

Resolution W-5113
WD

Agenda ID #15114

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5113

September 15, 2016

RESOLUTION

(RES. W-5113) SAN GABRIEL VALLEY WATER
COMPANY, ORDER AUTHORIZING SURCHARGES TO
RECOVER \$3,288,378 OR AN INCREASE OF 4.6% IN
GENERAL METERED SERVICE, FOR LOST REVENUE
DUE TO MANDATORY CONSERVATION IN ITS LOS
ANGELES COUNTY DIVISION.

By Advice Letter 484, filed July 18, 2016.

SUMMARY

This Resolution grants San Gabriel Water Company's (San Gabriel) recovery in rates of \$3,288,378 by adding a surcharge of \$0.2269 per 100 cubic feet (Ccf) to the Quantity Rates in each customer's bill to be recovered over twelve months in its Los Angeles County Division. As a result, the bill for the average customer using 14 Ccf per month will increase by \$3.18 per month, or approximately 4.8%. The increase requested is to recover the balance of 1) the lost revenues tracked in San Gabriel's Drought Lost Revenue Memorandum Account (DLRMA), using Commission approved Water Conservation Memorandum Account (WCMA) methodology, resulting from reduced water consumption by customers, minus 2) the balance of the drought surcharge revenue and interest tracked in San Gabriel's Drought Surcharge Revenues Memorandum Account (DSRMA) during the period of June 2015 through June 2016.

BACKGROUND

On January 17, 2014, Governor Edmund G. Brown Jr., proclaimed a Drought State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In accordance with the Governor's directives, the Commission issued Resolution W-4976 adopting drought procedures for water conservation, rationing and service connection moratoria ("Drought Procedures") on February 27th, 2014 and required that all Class A and B water utilities that had an existing Tariff Rule

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14.1 to activate the Rule within 30 days of the Resolution's effective date. The Drought Procedures, in addition to providing steps to be taken when a utility suffers from a water shortage, provided that a utility without a full revenue decoupling Water Revenue Adjustment Mechanism (WRAM) may request to add a Water Conservation Memorandum Account (WCMA) to track lost revenue associated with reduced sales as a result of activating Rule 14.1.

By AL 464-A effective June 1, 2015, the Commission authorized San Gabriel to establish a Drought Lost Revenue Memorandum Account (DLRMA) to track the revenue impact of voluntary conservation or mandatory rationing. San Gabriel's Schedule 14.1, made effective June 22, 2015, established San Gabriel's Drought Surcharge Revenue Memorandum Account (DSRMA) to track drought surcharges for Commission disposition.

By AL 484 filed on July 18, 2016, San Gabriel requests Commission authorization for its Los Angeles County Division to transfer the accumulated balance in the DLRMA minus the balance from the DSRMA from June 2015 through June 2016, into the Previously Authorized Balances Balancing Account (PABBA) for a total of \$3,288,378 or 4.6% of the adopted revenue requirement and amortize the amount over a period of 12 months through a surcharge of \$0.2269 per Ccf.

NOTICE AND PROTEST

In accordance with General Rules 4.3 and 7.2, and Water Industry Rule 4.1, of General Order 96-B, San Gabriel served copies of AL 484 to adjacent utilities and other parties requesting such notification, on July 18, 2016. In accordance with Water Industry Rule 3.3 (id), San Gabriel also posted the advice letter on its website. There were no protests to AL 484.

DISCUSSION

San Gabriel seeks to recover the balance in the DLRMA for reduced water consumption by customers that resulted from San Gabriel's implementation of mandatory water measures during the period of June 2015 through June 2016, offset against the balance collected from drought surcharges in the DSRMA. To determine the surcharge, San Gabriel added the shortfall from the DLRMA to San Gabriel's Previously Approved Balances Balancing Account (PABBA), as authorized in AL 462-A. The accumulated balance in the DLRMA from June 2015 through June 2016 is \$6,414,755. The

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accumulated drought surcharge revenue and interest collected in the DSRMA is \$2,956,997. The combined balance of \$3,288,378 after earnings adjustment¹ is proposed to be added into the PABBA for amortization over a period of 12 months.

The Commission in D. 90-08-055 and D. 91-10-042 established the methodology for computing revenue losses resulting from mandatory and voluntary conservation programs. D. 90-08-055 states that the difference between actual and normalized consumption is required to assess the change in revenues and variable expenses during the conservation period.

In accordance with D. 91-10-042, San Gabriel complied with the risk reduction adjustment.

D. 90-08-055 states that a utility's adopted annual water sales are based on the adopted normalized annual water use per connection. The adopted monthly water sales are determined by using historical sales distribution data. San Gabriel estimated the total sales difference and used this figure to determine the expense reduction due to reduced water sales in AL 484.

Water Division reviewed San Gabriel's calculations in AL484. Water Division also reviewed documented support for the balances in the DLRMA and DSRMA. Water Division finds the balance of \$3,288,378 to be amortized and the surcharge calculation of \$0.2269 per Ccf, applied for a period of 12 months, to be just and reasonable. We concur.

SAFETY CONSIDERATIONS

The recovery of the balances in San Gabriel's DLRMA/DSRMA will provide the utility with additional financial resources to safely operate and maintain its operations for the benefit of its customers, employees, and members of the general public.

¹ Ordering Paragraph 3 of D. 91-10-042 states that memorandum account balances tracking revenue losses from mandatory and voluntary conservation programs must be reduced; specifically, with a risk reduction adjustment equal to a 20 basis point reduction in the utility's last authorized rate of return on equity from the utility's cost of capital proceeding.

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COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. However, Section 311(g)(2) provides for waiver of the comment period for an uncontested matter in which the decision grants the relief request as is the case here.

Accordingly, this Proposed Resolution was not mailed for public comment.

FINDINGS AND CONCLUSIONS

1. On July 18, 2016, San Gabriel Valley Water Company (San Gabriel) filed Advice Letter (AL) 484 to request amortization of its Drought Lost Revenue Memorandum Account (DLRMA) and Drought Surcharge Revenue Memorandum Account (DSRMA) for its Los Angeles County Division. San Gabriel requests recovery in rates of \$3,288,378, or 4.6% of 2016 authorized revenues, by adding a surcharge of \$0.2269 per 100 cubic feet to the Quantity Rates in each metered customer's bill to be recovered over 12 months.
2. No protests were received for AL 484.
3. On August 15, 2016, Water Division suspended AL 484.
4. Decisions (D.) 90-08-055 and 91-10-042 established the method for computing revenue losses resulting from mandatory and voluntary conservation programs. San Gabriel has used the proper methodology outlined in D. 90-08-055 and D. 91-10-042 applying a 20 basis point risk reduction adjustment to the DLRMA balance.
5. Water Division finds the AL 484 balances of the DLRMA and DSRMA and the resulting surcharge of \$0.2269 per 100 cubic feet over a period of 12 months to be just and reasonable.

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6. In accordance with AL 462-A and AL 464-A, San Gabriel should transfer the June 2015 through June 2016 DLRMA and DSRMA balances into its Previously Authorized Balances Balancing Account (PABBA) to be amortized over a period of 12 months for its Los Angeles County Division.

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THEREFORE IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to transfer an under collection of \$6,414,755 from its Drought Lost Revenue Memorandum Account and an over collection of \$2,956,997 from its Drought Surcharge Revenue Memorandum Account for a net under-collection after earnings adjustment of \$3,288,378, or 4.6%, to its Previously Authorized Balance Balancing Account for its Los Angeles County Division. San Gabriel Valley Water Company is authorized to earn interest on the balance in this balancing account at the 90-day commercial paper rate.
2. The rate schedules attached to this Resolution as Appendix A allow San Gabriel Water Company to implement a surcharge of \$0.2269 per 100 cubic feet added to the quantity rates over 12 months to recover in rates a net under collection of \$3,288,378 in lost revenues. The surcharge is effective five days from the date of the Resolution.
3. The rate schedules in Appendix A are adopted. The effective date of the revised schedules shall be five days from the date of the Resolution.
4. In accordance with AL 462-A and AL 464-A, San Gabriel is authorized to transfer the June 2015 through June 2016 DLRMA and DSRMA balances into its Previously Authorized Balances Balancing Account (PABBA) to be amortized over a period of 12 months for its Los Angeles County Division.
5. Authority is granted under Public Utilities Code Section 454 to San Gabriel Valley Water Company to file a supplemental Advice Letter incorporating the Rate Schedules attached to this Resolution as Appendix A and to concurrently cancel its presently effective Rate Schedules. The effective date of the Rate Schedules shall be five days after the date of filing.

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This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 15, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-1 Los Angeles County Tariff Area GENERAL METERED SERVICE (continued)

<u>RATES</u> (continued)	Per Battery <u>Per Month</u>
For two 2-inch meters	\$ 320.00
For three 2-inch meters	483.00
For four 2-inch meters	643.00
For two 3-inch meters	603.00
For three 3-inch meters	904.00
For two 4-inch meters	1003.00
For three 4-inch meters	1,506.00
For one 8-inch meter, one 2-inch meter	1,765.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcharge of \$0.2372 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 468 and ending September 1, 2016 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
3. A surcharge of \$0.1851/Ccf is to be applied to the quantity rates of only non-CARW customers to cover the estimated benefits provided under the California Alternative Rates for Water (CARW) Program.
4. A surcharge of \$0.2269 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of xxxx, 2016 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)
(N)
(N)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-1C Los Angeles County Tariff Area GENERAL METERED SERVICE – CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate:

For the first 13 Ccf of water used, per 100 cu. ft.	\$ 2.6730
For all Ccf greater than 13 Ccf, per 100 cu. ft.	\$ 3.0284

Service Charge:	Per Meter
	<u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 20.09
For 3/4-inch meter	30.12
For 1-inch meter	50.19
For 1-1/2-inch meter	100.41
For 2-inch meter	160.65
For 3-inch meter	301.20

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF
2. A surcharge of \$0.1851/Ccf is to be applied to the quantity rates of only non-CARW customers to cover the estimated benefits provided under the California Alternative Rates for Water (CARW) Program.
3. A surcharge of \$0.2372 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 468 and ending September 1, 2016 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
4. A surcharge of \$0.2269 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of xxxx, (N) 2016 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-6 Los Angeles County Tariff Area RECYCLED WATER METERED SERVICE (continued)

RATES (continued)

Per Battery
Per Month

For two 2-inch meters	\$ 320.00
For three 2-inch meters	483.00
For four 2-inch meters	643.00
For two 3-inch meters	603.00
For three 3-inch meters	904.00
For two 4-inch meters	1,003.00
For three 4-inch meters	1,506.00
For one 8-inch meter and one 2-inch meter	1,765.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for reclaimed water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The Quantity Rate is set at 85% of the Quantity Rate of Schedule No. LA-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcharge of \$0.2372 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of Advice Letter 468 and ending September 1, 2016 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account
6. A surcharge of \$0.1851/Ccf is to be applied to the quantity rates of only non-CARW customers to cover the estimated benefits provided under the California Alternative Rates for Water (CARW) Program.
7. A surcharge of \$0.2269 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of xxxx, 2016 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)
(N)
(N)

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APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-CARW Los Angeles County Tariff Area CALIFORNIA ALTERNATIVE RATES FOR WATER (continued)

SPECIAL CONDITIONS (continued)

2. Application and Eligibility Declaration: An application and eligibility declaration on a form authorized by the Commission is required for each request for service under this schedule. Renewal of a customer's eligibility declaration will be required every two years and may be required on an annual basis. Customers are only eligible to receive service under this rate schedule at one residential location at any one time, and the rate applies only to the customer's permanent primary residence. The schedule is not applicable where, in the opinion of the Utility, either the accommodation or the occupancy is transitory.
3. Commencement of Rate: Eligible customers shall be billed on this schedule commencing no later than one billing period after receipt and approval of the customer's application by the Utility.
4. Verification: Information provided by the applicant is subject to verification by the Utility. Refusal or failure of a customer to provide documentation of eligibility acceptable to the Utility, upon the request of the Utility, shall result in removal from this rate schedule.
5. Notice from Customer: It is the customer's responsibility to notify the Utility if there is a change in the customer's eligibility status.
6. Customers may be re-billed for periods of ineligibility under the applicable rate schedule.
7. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
8. A surcharge of \$0.2269 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of xxxx, 2016 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)
(N)
(N)

END OF APPENDIX A

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SAN GABRIEL VALLEY WATER COMPANY ADVICE LETTER NO. 484 SERVICE LIST

By E-Mail:

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